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E - Mr. Johnson

August 2, 1962

OTF - Leonard Weiss

Japanese project for amendment of their commercial treaty with U.S. - a subject for discussion with Japanese Ambassador, Monday, August 6.

Problem. Embassy Tokyo has reported that the Japanese Government now has under consideration (cabinet approval pending) a project for revision of the 1953 treaty of Friendship, Commerce and Navigation with the U.S. The object is to remove the impediment that the treaty prohibits the maintenance of restrictions upon U.S. investment in Japan. This development must be regarded as a manifestation of the growing protectionist tendencies in the government and country, extending also into the trade field.

Recommendation. It is thought to be desirable to make a forceful statement to the Ambassador expressing the serious concern this Government feels with respect to the proposed treaty revisions. Through the making of such representations here and a similar firm statement in Tokyo, it is hoped that a decision by the Japanese Government to actually make the proposal to the Department can be forestalled. There is attached a memorandum that sets forth a number of arguments against the revision project. It is suggested that you summarize several of these points in your conversation with the Ambassador, and then hand him a copy of the memorandum.

Discussion. The immediate inducement for the treaty-revision proposal appears to be the imminent full application of Article 8 of the IMF Articles to Japan. When fully subject to Article 8, a country may not restrict payments for current transactions, including dividend payments. Foreign investment has in the past been held down largely in connection with the application of exchange controls and ostensibly with a view to safeguarding the balance of payments position. With the ending of controls heretofore permitted under the IMF Articles, the Japanese authorities appear to feel that amendment of the treaty offers a method whereby they can continue to maintain restrictions upon foreign investment. The exact nature of the amendments desired is not known, but to serve the declared purpose, they would have to weaken significantly basic provisions of the commercial treaty, the purpose of which is to maintain an open door to U.S. investment in the manufacturing, commercial, and general industrial fields.

Attachment:

Memorandum for the Ambassador.

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